

QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.

of
Chattanooga
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
June 30, 2007

2007

QUARTERLY STATEMENT
AS OF June 30, 2007
OF THE CONDITION AND AFFAIRS OF THE
Volunteer State Health Plan, Inc.

| | | | | | |
|---------------------------------------|---|--|--|-------------------------------|------------|
| NAIC Group Code | 0000 (Current Period) | 0000 (Prior Period) | NAIC Company Code | Employer's ID Number | 62-1656610 |
| Organized under the Laws of | Tennessee | State of Domicile or Port of Entry | Tennessee | | |
| Country of Domicile | United States of America | | | | |
| Licensed as business type: | Life, Accident & Health[] Dental Service Corporation[] Other[] Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[] Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X] | | | | |
| Incorporated/Organized | 07/11/1996 | Commenced Business | 11/01/1996 | | |
| Statutory Home Office | 801 Pine Street (Street and Number) | Chattanooga, TN 37402 (City, or Town, State and Zip Code) | | | |
| Main Administrative Office | Chattanooga, TN 37402 (City, or Town, State and Zip Code) | 801 Pine Street (Street and Number) | (423)535-5600 (Area Code) (Telephone Number) | | |
| Mail Address | 801 Pine Street (Street and Number or P.O. Box) | Chattanooga, TN 37402 (City, or Town, State and Zip Code) | (423)535-5600 (Area Code) (Telephone Number) | | |
| Primary Location of Books and Records | Chattanooga, TN 37402 (City, or Town, State and Zip Code) | 801 Pine Street (Street and Number) | (423)535-5600 (Area Code) (Telephone Number) | | |
| Internet Website Address | www.bcbst.com | | | | |
| Statutory Statement Contact | Dana Elaine Hull (Name) | Dana_Hull@BCBST.com (E-Mail Address) | (423)535-7919 (Area Code)(Telephone Number)(Extension) | (423)535-8331 (Fax Number) | |
| Policyowner Relations Contact | Chattanooga, TN 37402 (City, or Town, State and Zip Code) | 801 Pine Street (Street and Number) | (423)535-5600 (Area Code) (Telephone Number)(Extension) | | |

OFFICERS

| Name | Title |
|---------------------------|---|
| Vicky Brown Gregg | Chairman |
| Ronald Ellis Harr | President & CEO |
| Sonya Kay Nelson | Vice President, Medicaid Administration |
| Sylvia Ann Sherrill | Vice President, Medicare Advantage |
| Shelia Dian Clemons | Secretary |
| Christopher Howell Hunter | Treasurer |
| Harold Hoke Cantrell Jr. | Assistant Treasurer |
| Steven Lee Coulter MD | Managing Director |
| Charles Timothy Gary | Vice President & Gen. Counsel |

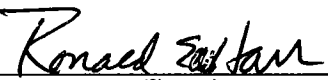
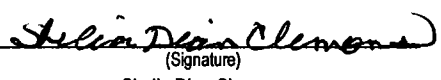
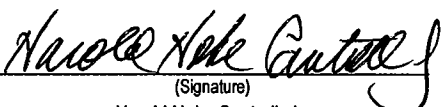
OTHERS

DIRECTORS OR TRUSTEES

| | |
|-----------------------|----------------------|
| Ronald Ellis Harr | Vicky Brown Gregg |
| Steven Lee Coulter MD | Charles Timothy Gary |
| John Francis Giblin # | |

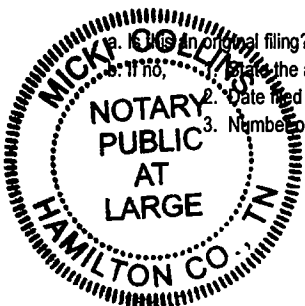
State of Tennessee
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|---|--|---|
|  (Signature) Ronald Ellis Harr (Printed Name) 1. President & CEO (Title) |  (Signature) Shelia Dian Clemons (Printed Name) 2. Secretary (Title) |  (Signature) Harold Hoke Cantrell, Jr. (Printed Name) 3. Assistant Treasurer (Title) |
|---|--|---|

Subscribed and sworn to before me this 8TH day of Aug, 2007


(Notary Public Signature)



My Commission Expires
August 18, 2010

Yes[X] No[]

(THIS PAGE LEFT BLANK INTENTIONALLY)

Statement of Actuarial Opinion

I, Norman John Zwitter, Manager of Valuation Actuary, am an employee of BlueCross BlueShield of Tennessee, Inc. (BCBST). I am a member of the American Academy of Actuaries. I meet the American Academy of Actuaries qualification standards for issuing an opinion on the unpaid claims liability of health insurers. I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities, and related items as shown in the quarterly statement of Volunteer State Health Plan (the Company) as prepared for filing with the Tennessee Department of Insurance for the period ending June 30, 2007.

| Item | Statement Reference | | |
|--|---------------------|--------|---|
| | Page – Line | Amount | |
| Claims Unpaid | Q3-1 | \$ | 0 |
| Accrued medical incentive & bonus payments | Q3-2 | \$ | 0 |
| Unpaid claims adjustment expenses | Q3-3 | \$ | 0 |
| Aggregate policy reserves | Q3-4 | \$ | 0 |
| Aggregate health claim reserves | Q3-7 | \$ | 0 |
| Any other actuarial liabilities | Q3-21 | \$ | 0 |

My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations, as I considered necessary. In making my examination, I have relied on listings and summaries of claims and other relevant data, and upon representations regarding the consistency of paid claims data and un-paid claims reported as provided by Dana Elaine Hull, Manager of Subsidiary Accounting. I have also relied on the accuracy and consistency of the electronic systems and databases used as the basis of my analysis as provided by John Timothy Morgan, Senior Manager Information Management Finance.

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets and I have not formed an opinion as to the validity or value. The following opinion rests on the assumption that the Company's June 30, 2007 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

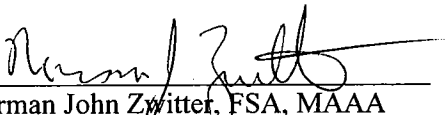
In my opinion, the amounts carried on the balance sheet on account of the items identified above for June 30, 2007:

- (a) Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial standards,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee,
- (d) Make a good and sufficient provision for all unpaid claims liabilities and other actuarial liabilities of the corporation under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial reserves and related actuarial items that ought to be established.

Actuarial methods, considerations, and analyses used in forming this opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

Considerable uncertainty and variability are inherent in estimating the unpaid claim liability. Accordingly, the subsequent development may not conform to the assumptions inherent in its determination and therefore may cause fluctuations in the ultimate amount of claims that are paid.

My review related only to the statutory-basis items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole. This opinion has been prepared solely for the Board and the management of the Company, for filing with insurance regulatory agencies of states in which the Company is licensed, and for the Blue Cross and Blue Shield Association and is not intended for any other purpose.


Norman John Zwitter, FSA, MAAA
BlueCross BlueShield of Tennessee, Inc.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Volunteer State Health Plan, Inc.
2007 Reliance Statement

I, Dana Elaine Hull, Manager, Subsidiary Accounting of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN), hereby affirm that all accounting-related information prepared for and submitted to Norman John Zwitter, Manager of Valuation Actuary, was prepared under my direction and, to the best of my knowledge and belief, is substantially accurate and complete. This includes accounting information utilized in the amounts reported in the Underwriting and Investment Exhibit - Part 2B of the quarterly statement (NAIC format).

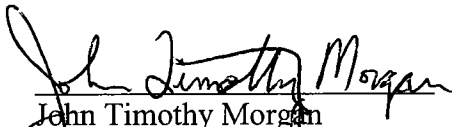
Dana Elaine Hull
Dana Elaine Hull


8-10-07
Date

(THIS PAGE LEFT BLANK INTENTIONALLY)

Volunteer State Health Plan, Inc.
Reliance Statement
2nd Quarter Statement (June 30, 2007)

I, John Timothy Morgan, Manager, IM Finance of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN) hereby affirm that the data extracts from the electronic data warehouse and subsequent database structures provided to Norman John Zwitter, Manager of Valuation Actuary, as the basis of the reserve analysis were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete.


John Timothy Morgan


Date

(THIS PAGE LEFT BLANK INTENTIONALLY)

ASSETS

| | | Current Statement Date | | | 4 |
|----------------------|--|------------------------|--------------------|-----------------------------------|---|
| | | 1 | 2 | 3 | |
| | | Assets | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | December 31, Prior Year Net Admitted Assets |
| 1. | Bonds | 28,485,875 | | 28,485,875 | 28,556,862 |
| 2. | Stocks: | | | | |
| 2.1 | Preferred stocks | | | | |
| 2.2 | Common stocks | | | | |
| 3. | Mortgage loans on real estate: | | | | |
| 3.1 | First liens | | | | |
| 3.2 | Other than first liens | | | | |
| 4. | Real estate: | | | | |
| 4.1 | Properties occupied by the company (less \$.....0 encumbrances) | | | | |
| 4.2 | Properties held for the production of income (less \$.....0 encumbrances) | | | | |
| 4.3 | Properties held for sale (less \$.....0 encumbrances) | | | | |
| 5. | Cash (\$.....6,492,695), cash equivalents (\$.....0) and short-term investments (\$.....1,229,256) | 7,721,951 | | 7,721,951 | 8,914,539 |
| 6. | Contract loans (including \$.....0 premium notes) | | | | |
| 7. | Other invested assets | | | | |
| 8. | Receivables for securities | | | | |
| 9. | Aggregate write-ins for invested assets | | | | |
| 10. | Subtotals, cash and invested assets (Lines 1 to 9) | 36,207,826 | | 36,207,826 | 37,471,401 |
| 11. | Title plants less \$.....0 charged off (for Title insurers only) | | | | |
| 12. | Investment income due and accrued | 407,587 | | 407,587 | 401,581 |
| 13. | Premiums and considerations: | | | | |
| 13.1 | Uncollected premiums and agents' balances in the course of collection | | | | |
| 13.2 | Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums) | | | | |
| 13.3 | Accrued retrospective premiums | | | | |
| 14. | Reinsurance: | | | | |
| 14.1 | Amounts recoverable from reinsurers | | | | |
| 14.2 | Funds held by or deposited with reinsured companies | | | | |
| 14.3 | Other amounts receivable under reinsurance contracts | | | | |
| 15. | Amounts receivable relating to uninsured plans | 9,002,065 | | 9,002,065 | 8,839,175 |
| 16.1 | Current federal and foreign income tax recoverable and interest thereon | | | | |
| 16.2 | Net deferred tax asset | 262,795 | 262,795 | | |
| 17. | Guaranty funds receivable or on deposit | | | | |
| 18. | Electronic data processing equipment and software | | | | |
| 19. | Furniture and equipment, including health care delivery assets (\$.....0) | | | | |
| 20. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 21. | Receivables from parent, subsidiaries and affiliates | | | | |
| 22. | Health care (\$.....0) and other amounts receivable | | | | |
| 23. | Aggregate write-ins for other than invested assets | 470,040 | | 470,040 | |
| 24. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 46,350,313 | 262,795 | 46,087,518 | 46,712,157 |
| 25. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. | Total (Lines 24 and 25) | 46,350,313 | 262,795 | 46,087,518 | 46,712,157 |
| DETAILS OF WRITE-INS | | | | | |
| 0901. | ..... |  |  |  |  |
| 0902. | ..... |  |  |  |  |
| 0903. | ..... |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | | |
| 2301. | Insured Receivable from State of Tennessee | 470,040 | | 470,040 | |
| 2302. | ..... |  |  |  |  |
| 2303. | ..... |  |  |  |  |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | 470,040 | | 470,040 | |

LIABILITIES, CAPITAL AND SURPLUS

| | | Current Period | | | Prior Year |
|-----------------------------|---|----------------|----------------|------------|------------|
| | | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. | Claims unpaid (less \$.....0 reinsurance ceded) | | | | |
| 2. | Accrued medical incentive pool and bonus amounts | | | | |
| 3. | Unpaid claims adjustment expenses | | | | |
| 4. | Aggregate health policy reserves | | | | |
| 5. | Aggregate life policy reserves | | | | |
| 6. | Property/casualty unearned premium reserve | | | | |
| 7. | Aggregate health claim reserves | | | | |
| 8. | Premiums received in advance | 3,413,216 | | 3,413,216 | |
| 9. | General expenses due or accrued | 7,350 | | 7,350 | 7,250 |
| 10.1 | Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized gains (losses)) | | | | |
| 10.2 | Net deferred tax liability | | | | |
| 11. | Ceded reinsurance premiums payable | | | | |
| 12. | Amounts withheld or retained for the account of others | | | | |
| 13. | Remittances and items not allocated | 19,763 | | 19,763 | 4,636 |
| 14. | Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) | | | | |
| 15. | Amounts due to parent, subsidiaries and affiliates | 9,702,835 | | 9,702,835 | 9,403,351 |
| 16. | Payable for securities | | | | |
| 17. | Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) | | | | |
| 18. | Reinsurance in unauthorized companies | | | | |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Liability for amounts held under uninsured plans | 1,526,067 | | 1,526,067 | 1,699,356 |
| 21. | Aggregate write-ins for other liabilities (including \$.....0 current) | 191,069 | | 191,069 | 4,839,454 |
| 22. | Total liabilities (Lines 1 to 21) | 14,860,300 | | 14,860,300 | 15,954,047 |
| 23. | Aggregate write-ins for special surplus funds | X X X | X X X | | |
| 24. | Common capital stock | X X X | X X X | 10 | 10 |
| 25. | Preferred capital stock | X X X | X X X | | |
| 26. | Gross paid in and contributed surplus | X X X | X X X | 99,990 | 99,990 |
| 27. | Surplus notes | X X X | X X X | | |
| 28. | Aggregate write-ins for other than special surplus funds | X X X | X X X | 25,703,132 | 27,775,339 |
| 29. | Unassigned funds (surplus) | X X X | X X X | 5,424,086 | 2,882,771 |
| 30. | Less treasury stock, at cost: | | | | |
| 30.1 |0 shares common (value included in Line 24 \$.....0) | X X X | X X X | | |
| 30.2 |0 shares preferred (value included in Line 25 \$.....0) | X X X | X X X | | |
| 31. | Total capital and surplus (Lines 23 to 29 minus Line 30) | X X X | X X X | 31,227,218 | 30,758,110 |
| 32. | Total Liabilities, capital and surplus (Lines 22 and 31) | X X X | X X X | 46,087,518 | 46,712,157 |
| DETAILS OF WRITE-INS | | | | | |
| 2101. | Exigency Post Settlement Activity | 108,843 | | 108,843 | 12,350 |
| 2102. | Stale Dated Checks | 78,919 | | 78,919 | 646,335 |
| 2103. | Premium Tax Payable | 3,307 | | 3,307 | 535,456 |
| 2198. | Summary of remaining write-ins for Line 21 from overflow page | | | | 3,645,313 |
| 2199. | TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) | 191,069 | | 191,069 | 4,839,454 |
| 2301. | ..... | X X X | X X X | | |
| 2302. | ..... | X X X | X X X | | |
| 2303. | ..... | X X X | X X X | | |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | X X X | X X X | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | X X X | X X X | | |
| 2801. | Legally Required Reserves | X X X | X X X | 25,703,132 | 27,775,339 |
| 2802. | ..... | X X X | X X X | | |
| 2803. | ..... | X X X | X X X | | |
| 2898. | Summary of remaining write-ins for Line 28 from overflow page | X X X | X X X | | |
| 2899. | TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) | X X X | X X X | 25,703,132 | 27,775,339 |

STATEMENT OF REVENUE AND EXPENSES

| | | Current Year To Date | | Prior Year To Date |
|-----------------------|--|----------------------|--------------|-----------------------|
| | | 1 Uncovered | 2 Total | 3 Total |
| 1. | Member Months | X X X | | |
| 2. | Net premium income (including \$.....0 non-health premium income) | X X X | (60,581) | (70,590) |
| 3. | Change in unearned premium reserves and reserves for rate credits | X X X | | |
| 4. | Fee-for-service (net of \$.....0 medical expenses) | X X X | | |
| 5. | Risk revenue | X X X | | |
| 6. | Aggregate write-ins for other health care related revenues | X X X | | |
| 7. | Aggregate write-ins for other non-health revenues | X X X | 8,500,283 | |
| 8. | Total revenues (Lines 2 to 7) | X X X | 8,439,702 | (70,590) |
| Hospital and Medical: | | | | |
| 9. | Hospital/medical benefits | | (115,525) | (260,750) |
| 10. | Other professional services | | (14,079) | (17,844) |
| 11. | Outside referrals | | | |
| 12. | Emergency room and out-of-area | | 945 | (5,024) |
| 13. | Prescription drugs | | (564,067) | |
| 14. | Aggregate write-ins for other hospital and medical | | 143,063 | 138,261 |
| 15. | Incentive pool, withhold adjustments and bonus amounts | | | |
| 16. | Subtotal (Lines 9 to 15) | | (549,663) | (145,357) |
| Less: | | | | |
| 17. | Net reinsurance recoveries | | | |
| 18. | Total hospital and medical (Lines 16 minus 17) | | (549,663) | (145,357) |
| 19. | Non-health claims (net) | | | |
| 20. | Claims adjustment expenses, including \$.....80,230 cost containment expenses | | 326,834 | 354,063 |
| 21. | General administrative expenses | | 451,342 | 484,951 |
| 22. | Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) | | | |
| 23. | Total underwriting deductions (Lines 18 through 22) | | 228,513 | 693,657 |
| 24. | Net underwriting gain or (loss) (Lines 8 minus 23) | X X X | 8,211,189 | (764,247) |
| 25. | Net investment income earned | | 1,004,710 | 875,848 |
| 26. | Net realized capital gains (losses) less capital gains tax of \$.....0 | | | 24,550 |
| 27. | Net investment gains or (losses) (Lines 25 plus 26) | | 1,004,710 | 900,398 |
| 28. | Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] | | | |
| 29. | Aggregate write-ins for other income or expenses | | (8,500,283) | |
| 30. | Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) | X X X | 715,616 | 136,151 |
| 31. | Federal and foreign income taxes incurred | X X X | 246,508 | (10,036) |
| 32. | Net income (loss) (Lines 30 minus 31) | X X X | 469,108 | 146,187 |
| DETAILS OF WRITE-INS | | | | |
| 0601. | Revenues - Meharry, Critical Access & Essential Provider Payment | X X X | 60,966,881 | 113,622,098 |
| 0602. | Premium Taxes - Meharry, Critical Access, and EPP | X X X | (1,219,338) | (2,272,442) |
| 0603. | Payments - Critical Access | X X X | (3,247,543) | (5,269,656) |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | X X X | (56,500,000) | (106,080,000) |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | X X X | | |
| 0701. | Shared Health, Inc. Revenue | X X X | 8,500,283 | |
| 0702. | ..... | X X X | | |
| 0703. | ..... | X X X | | |
| 0798. | Summary of remaining write-ins for Line 7 from overflow page | X X X | | |
| 0799. | TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) | X X X | 8,500,283 | |
| 1401. | Exigency Post-Settlement Activity | | 143,063 | 138,261 |
| 1402. | ..... |  |  |  |
| 1403. | ..... |  |  |  |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. | TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | | 143,063 | 138,261 |
| 2901. | Shared Health, Inc. Expense | | (8,500,283) | |
| 2902. | ..... |  |  |  |
| 2903. | ..... |  |  |  |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | | | |
| 2999. | TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) | | (8,500,283) | |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1 | 2 | 3 |
|--------------------------------------|--|-------------------------|-----------------------|------------|
| | | Current Year To Date | Prior Year To Date | Prior Year |
| CAPITAL & SURPLUS ACCOUNT | | | | |
| 33. | Capital and surplus prior reporting year | 30,758,110 | 30,420,776 | 30,420,776 |
| 34. | Net income or (loss) from Line 32 | 469,108 | 146,187 | 337,334 |
| 35. | Change in valuation basis of aggregate policy and claim reserves | | | |
| 36. | Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 | | | |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | | |
| 38. | Change in net deferred income tax | (3,937) | (57,689) | (71,733) |
| 39. | Change in nonadmitted assets | 3,937 | 57,689 | 71,733 |
| 40. | Change in unauthorized reinsurance | | | |
| 41. | Change in treasury stock | | | |
| 42. | Change in surplus notes | | | |
| 43. | Cumulative effect of changes in accounting principles | | | |
| 44. | Capital Changes: | | | |
| 44.1 | Paid in | | | |
| 44.2 | Transferred from surplus (Stock Dividend) | | | |
| 44.3 | Transferred to surplus | | | |
| 45. | Surplus adjustments: | | | |
| 45.1 | Paid in | | | |
| 45.2 | Transferred to capital (Stock Dividend) | | | |
| 45.3 | Transferred from capital | | | |
| 46. | Dividends to stockholders | | | |
| 47. | Aggregate write-ins for gains or (losses) in surplus | | | |
| 48. | Net change in capital and surplus (Lines 34 to 47) | 469,108 | 146,187 | 337,334 |
| 49. | Capital and surplus end of reporting period (Line 33 plus 48) | 31,227,218 | 30,566,963 | 30,758,110 |
| DETAILS OF WRITE-INS | | | | |
| 4701. | ..... | ..... | ..... | ..... |
| 4702. | ..... | ..... | ..... | ..... |
| 4703. | ..... | ..... | ..... | ..... |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page ..... | ..... | ..... | ..... |
| 4799. | TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) ..... | ..... | ..... | ..... |

| Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES | | | |
|---|----------------|--------------------|---------------|
| | Current Year | | Previous Year |
| | Current Period | Year-to-date Total | Total |
| MEMBER MONTHS | - | - | - |
| REVENUES: | | | |
| 1. TennCare Capitation | (44,123) | (60,581) | (102,928) |
| 2. Adverse Selection | - | - | - |
| 3. Total TennCare Revenue (Lines 1 and 2) | (44,123) | (60,581) | (102,928) |
| 4. Investment | 454,317 | 1,004,710 | 1,806,399 |
| 5. Other Revenue (Provide Detail) | - | - | - |
| 6. TOTAL REVENUES (Lines 1 to 5) | 410,194 | 944,129 | 1,703,471 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 7. Capitated Physician Services | - | - | - |
| 8. Fee-for Service Physician Services | (11,655) | (27,213) | (9,942) |
| 9. Inpatient Hospital Services | (4,162) | (7,418) | (10,711) |
| 10. Outpatient Services | (793) | (8,270) | (8,892) |
| 11. Emergency Room Services | 294 | 296 | (487) |
| 12. Mental Health Services | - | - | - |
| 13. Dental Services | - | - | - |
| 14. Vision Services | - | - | - |
| 15. Pharmacy Services | (564,067) | (564,067) | - |
| 16. Home Health Services | - | - | (11,799) |
| 17. Chiropractic Services | - | - | - |
| 18. Radiology Services | (17) | (708) | (776) |
| 19. Laboratory Services | (113) | (4,178) | - |
| 20. Durable Medical Services | - | - | (117) |
| 21. Transportation Services | (773) | (1,337) | (644) |
| 22. Outside Referrals | - | - | - |
| 23. Medical Incentive Pool and Withhold Adjustments | - | - | - |
| 24. Occupancy, Depreciation, and Amortization | - | - | - |
| 25. Other Medical and Hospital Services (Provide Detail) | 113,594 | 127,531 | 105,013 |
| 26. Subtotal (Lines 7 to 25) | (467,692) | (485,364) | 61,645 |
| LESS: | | | |
| 27. Reinsurance Expenses Net of Recoveries | - | - | - |
| 28. Copayments | - | (30) | - |
| 29. Subrogation and Coordination of Benefits | 33,160 | 64,329 | 497,741 |
| 30. Subtotal (Lines 27 to 29) | 33,160 | 64,299 | 497,741 |
| 31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30) | (500,852) | (549,663) | (436,096) |
| Administration: | | | |
| 32. Compensation | 139,002 | 496,441 | 1,103,728 |
| 33. Marketing | - | - | - |
| 34. Interest Expense | - | - | - |
| 35. Premium Tax Expense | (882) | (1,211) | (2,059) |
| 36. Occupancy, Depreciation and Amortization | 13,797 | 49,276 | 109,554 |
| 37. Other Administration (Provide Detail) | 65,424 | 233,670 | 519,515 |
| 38. TOTAL ADMINISTRATION (Lines 32 to 37) | 217,341 | 778,176 | 1,730,738 |
| 39. TOTAL EXPENSES (Lines 31 and 38) | (283,511) | 228,513 | 1,294,642 |
| 40. Extraordinary Item | - | - | - |
| 41. Provision for Federal Income Taxes | 242,154 | 246,508 | 71,315 |
| 42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41)) | 451,551 | 469,108 | 337,514 |
| DETAILS OF WRITE-INS | | | |
| 0501. Meharry, Critical Access & EPP Revenues | 4,465,575 | 60,966,881 | 177,230,424 |
| 0502. Meharry, Critical Access, and EPP Premium Taxes | (89,312) | (1,219,338) | (3,544,608) |
| 0503. Critical Access Payments | (1,126,263) | (3,247,543) | (11,105,816) |
| 0504. Meharry Payments | (3,250,000) | (6,500,000) | (12,580,000) |
| 0505. Essential Provider Payments (EPP) | - | (50,000,000) | (150,000,000) |
| 0599. TOTALS | - | - | - |
| 2501. Exigency Post-Settlement Activity | 115,461 | 143,063 | 311,768 |
| 2502. Out of Area Claims | - | - | 5 |
| 2503. PT/OT/ST, Supplies, Prosthetics, etc. | (31) | (4,284) | (40) |
| 2504. Bad Debt Expense | (1,836) | (11,248) | (206,720) |
| 2599. TOTALS | 113,594 | 127,531 | 105,013 |
| 3701. Equipment | 27,375 | 97,772 | 217,376 |
| 3702. Postage/Telephone | 9,365 | 33,449 | 74,365 |
| 3703. Auditing, Actuarial, and Other Consulting | 9,321 | 33,292 | 74,018 |
| 3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc. | 8,666 | 30,953 | 68,818 |
| 3705. Outsourced Services | 7,641 | 27,289 | 60,670 |
| 3706. Printing and Stationary | 3,056 | 10,915 | 24,268 |
| 3799. TOTALS | 65,424 | 233,670 | 519,515 |

| Report #2A: TennCare Select Only | | | |
|---|----------------|--------------------|---------------|
| | Current Year | | Previous Year |
| | Current Period | Year-to-date Total | Total |
| MEMBER MONTHS | 324,974 | 1,569,714 | 4,948,502 |
| REVENUES: | | | |
| 1. TennCare Capitation | 64,389,965 | 385,000,347 | 1,047,749,133 |
| 2. Adverse Selection | - | - | - |
| 3. Total TennCare Revenue (Lines 1 and 2) | 64,389,965 | 385,000,347 | 1,047,749,133 |
| 4. Investment | - | - | - |
| 5. Other Revenue (Provide Detail) | 4,259,478 | 8,500,283 | 6,550,600 |
| 6. TOTAL REVENUES (Lines 1 to 5) | 68,649,443 | 393,500,630 | 1,054,299,733 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 7. Capitated Physician Services | 476,506 | 1,812,298 | 5,349,605 |
| 8. Fee-for Service Physician Services | 12,661,790 | 93,615,085 | 277,217,902 |
| 9. Inpatient Hospital Services | 15,658,065 | 91,629,782 | 242,647,007 |
| 10. Outpatient Services | 6,584,950 | 46,906,923 | 134,370,816 |
| 11. Emergency Room Services | 1,314,773 | 11,303,573 | 32,309,809 |
| 12. Mental Health Services | - | - | - |
| 13. Dental Services | 346 | 1,519 | 1,375 |
| 14. Vision Services | 27,821 | 203,622 | 682,606 |
| 15. Pharmacy Services | (29,956) | (29,956) | - |
| 16. Home Health Services | 14,357,942 | 76,778,693 | 168,332,760 |
| 17. Chiropractic Services | - | - | - |
| 18. Radiology Services | 693,186 | 5,650,841 | 18,055,066 |
| 19. Laboratory Services | 553,898 | 4,694,583 | 15,285,472 |
| 20. Durable Medical Services | 1,109,737 | 6,126,433 | 17,293,399 |
| 21. Transportation Services | 1,245,767 | 8,026,276 | 29,130,975 |
| 22. Outside Referrals | - | - | - |
| 23. Medical Incentive Pool and Withhold Adjustments | - | - | - |
| 24. Occupancy, Depreciation, and Amortization | - | - | - |
| 25. Other Medical and Hospital Services (Provide Detail) | 1,849,066 | 8,531,892 | 24,792,050 |
| 26. Subtotal (Lines 7 to 25) | 56,503,891 | 355,251,564 | 965,468,842 |
| LESS: | | | |
| 27. Reinsurance Expenses Net of Recoveries | | | |
| 28. Copayments | 108,901 | 108,901 | 342,776 |
| 29. Subrogation and Coordination of Benefits | 966,398 | 1,896,342 | 2,850,222 |
| 30. Subtotal (Lines 27 to 29) | 1,075,299 | 2,005,243 | 3,192,998 |
| 31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30) | 55,428,592 | 353,246,321 | 962,275,844 |
| Administration: | | | |
| 32. Compensation | 4,892,293 | 15,326,187 | 41,122,621 |
| 33. Marketing | - | - | - |
| 34. Interest Expense | - | - | - |
| 35. Premium Tax Expense | 1,287,799 | 7,700,007 | 20,954,983 |
| 36. Occupancy, Depreciation and Amortization | 485,597 | 1,521,239 | 4,081,729 |
| 37. Other Administration (Provide Detail) | 6,562,222 | 15,714,136 | 25,906,521 |
| 38. TOTAL ADMINISTRATION (Lines 32 to 37) | 13,227,911 | 40,261,569 | 92,065,854 |
| 39. TOTAL EXPENSES (Lines 31 and 38) | 68,656,503 | 393,507,890 | 1,054,341,698 |
| 40. Extraordinary Item | | | |
| 41. Provision for Federal Income Taxes | (2,471) | (2,541) | (14,688) |
| 42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41)) | (4,589) | (4,719) | (27,277) |
| DETAILS OF WRITE-INS | | | |
| 0501. Shared Health, Inc. Revenue | 4,259,478 | 8,500,283 | 6,550,600 |
| 0599. TOTALS | 4,259,478 | 8,500,283 | 6,550,600 |
| 2501. PT/OT/ST, Supplies, Prosthetics, etc. | 1,320,319 | 6,307,692 | 16,561,595 |
| 2502. Out of Area Claims Expense | 309,890 | 2,227,235 | 8,256,283 |
| 2503. Bad Debt Expense | 218,857 | (3,035) | (25,828) |
| 2599. TOTALS | 1,849,066 | 8,531,892 | 24,792,050 |
| 3701. Shared Health, Inc. Expense | 4,259,478 | 8,500,283 | 6,550,600 |
| 3702. Equipment Rental | 963,511 | 3,018,409 | 8,098,874 |
| 3703. Postage/Telephone | 329,623 | 1,032,615 | 2,770,668 |
| 3704. Auditing, Actuarial, and Other Consulting | 328,085 | 1,027,799 | 2,757,751 |
| 3705. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc. | 305,034 | 955,589 | 2,533,997 |
| 3706. Outsourced Services | 268,922 | 842,458 | 2,230,451 |
| 3707. Printing and Stationary | 107,569 | 336,983 | 904,180 |
| 3799. TOTALS | 6,562,222 | 15,714,136 | 25,906,521 |

| Report #2A: Stabilization Plan Only | | | |
|---|----------------|--------------------|---------------|
| | Current Year | | Previous Year |
| | Current Period | Year-to-date Total | Total |
| MEMBER MONTHS | 622,632 | 1,246,177 | 2,548,992 |
| REVENUES: | | | |
| 1. TennCare Capitation | 118,413,703 | 247,454,604 | 448,353,023 |
| 2. Adverse Selection | - | - | - |
| 3. Total TennCare Revenue (Lines 1 and 2) | 118,413,703 | 247,454,604 | 448,353,023 |
| 4. Investment | - | - | - |
| 5. Other Revenue (Provide Detail) | - | - | - |
| 6. TOTAL REVENUES (Lines 1 to 5) | 118,413,703 | 247,454,604 | 448,353,023 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 7. Capitated Physician Services | 500,905 | 1,000,856 | 2,038,628 |
| 8. Fee-for Service Physician Services | 39,662,929 | 82,426,916 | 152,018,048 |
| 9. Inpatient Hospital Services | 22,461,742 | 48,907,823 | 92,193,335 |
| 10. Outpatient Services | 16,848,527 | 33,225,302 | 58,985,632 |
| 11. Emergency Room Services | 3,964,308 | 8,359,522 | 14,041,135 |
| 12. Mental Health Services | - | - | - |
| 13. Dental Services | 1,647 | 2,099 | 2,357 |
| 14. Vision Services | 74,253 | 147,699 | 312,077 |
| 15. Pharmacy Services | (35,220) | (35,220) | - |
| 16. Home Health Services | 13,897,591 | 31,123,111 | 47,213,971 |
| 17. Chiropractic Services | - | - | - |
| 18. Radiology Services | 2,564,942 | 5,051,085 | 9,338,358 |
| 19. Laboratory Services | 2,617,944 | 5,125,632 | 9,903,371 |
| 20. Durable Medical Services | 2,288,790 | 4,883,249 | 9,334,251 |
| 21. Transportation Services | 2,482,720 | 5,033,525 | 10,336,754 |
| 22. Outside Referrals | - | - | - |
| 23. Medical Incentive Pool and Withhold Adjustments | - | - | - |
| 24. Occupancy, Depreciation, and Amortization | - | - | - |
| 25. Other Medical and Hospital Services (Provide Detail) | 2,203,022 | 4,239,581 | 7,377,893 |
| 26. Subtotal (Lines 7 to 25) | 109,534,100 | 229,491,180 | 413,095,810 |
| LESS: | | | |
| 27. Reinsurance Expenses Net of Recoveries | | | |
| 28. Copayments | 52,763 | 116,645 | 247,506 |
| 29. Subrogation and Coordination of Benefits | 470,269 | 971,386 | 2,143,311 |
| 30. Subtotal (Lines 27 to 29) | 523,032 | 1,088,031 | 2,390,817 |
| 31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30) | 109,011,068 | 228,403,149 | 410,704,993 |
| Administration: | | | |
| 32. Compensation | 4,490,999 | 8,999,549 | 18,225,129 |
| 33. Marketing | - | - | - |
| 34. Interest Expense | - | - | - |
| 35. Premium Tax Expense | 2,354,511 | 4,945,329 | 9,029,379 |
| 36. Occupancy, Depreciation and Amortization | 445,766 | 893,273 | 1,808,981 |
| 37. Other Administration (Provide Detail) | 2,113,859 | 4,235,976 | 8,578,346 |
| 38. TOTAL ADMINISTRATION (Lines 32 to 37) | 9,405,135 | 19,074,127 | 37,641,835 |
| 39. TOTAL EXPENSES (Lines 31 and 38) | 118,416,203 | 247,477,276 | 448,346,828 |
| 40. Extraordinary Item | | | |
| 41. Provision for Federal Income Taxes | (875) | (7,935) | 2,168 |
| 42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41)) | (1,625) | (14,737) | 4,027 |
| DETAILS OF WRITE-INS | | | |
| 2501. PT/OT/ST, Supplies, Prosthetics, etc. | 1,773,095 | 3,493,005 | 5,863,945 |
| 2502. Out of Area Claims Expense | 429,528 | 793,374 | 1,661,648 |
| 2503. Bad Debt Expense | 399 | (46,798) | (147,700) |
| 2599. TOTALS | 2,203,022 | 4,239,581 | 7,377,893 |
| 3701. Equipment Rental | 884,476 | 1,772,410 | 3,589,339 |
| 3702. Postage/Telephone | 302,584 | 606,351 | 1,227,932 |
| 3703. Auditing, Actuarial, and Other Consulting | 301,174 | 603,525 | 1,222,207 |
| 3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc. | 280,015 | 561,121 | 1,136,336 |
| 3705. Outsourced Services | 246,864 | 494,692 | 1,001,809 |
| 3706. Printing and Stationary | 98,746 | 197,877 | 400,723 |
| 3799. TOTALS | 2,113,859 | 4,235,976 | 8,578,346 |

CASH FLOW

| | | 1 Current Year To Date | 2 Prior Year Ended December 31 |
|---|--|---------------------------------|---|
| Cash from Operations | | | |
| 1. | Premiums collected net of reinsurance | 3,352,635 | (102,928) |
| 2. | Net investment income | 1,069,691 | 1,968,652 |
| 3. | Miscellaneous income | 8,500,283 | 6,550,600 |
| 4. | Total (Lines 1 to 3) | 12,922,609 | 8,416,324 |
| 5. | Benefit and loss related payments | (549,663) | (435,916) |
| 6. | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 10,149,994 | 14,880,394 |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) net of \$.0 tax on capital gains (losses) | 246,508 | 71,315 |
| 10. | Total (Lines 5 through 9) | 9,846,839 | 14,515,793 |
| 11. | Net cash from operations (Line 4 minus Line 10) | 3,075,770 | (6,099,469) |
| Cash from Investments | | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| 12.1 | Bonds | 6,200,000 | 3,479,480 |
| 12.2 | Stocks | | |
| 12.3 | Mortgage loans | | |
| 12.4 | Real estate | | |
| 12.5 | Other invested assets | | |
| 12.6 | Net gains or (losses) on cash, cash equivalents and short-term investments | | |
| 12.7 | Miscellaneous proceeds | | |
| 12.8 | Total investment proceeds (Lines 12.1 to 12.7) | 6,200,000 | 3,479,480 |
| 13. | Cost of investments acquired (long-term only): | | |
| 13.1 | Bonds | 6,200,000 | 2,999,452 |
| 13.2 | Stocks | | |
| 13.3 | Mortgage loans | | |
| 13.4 | Real estate | | |
| 13.5 | Other invested assets | | |
| 13.6 | Miscellaneous applications | | |
| 13.7 | Total investments acquired (Lines 13.1 to 13.6) | 6,200,000 | 2,999,452 |
| 14. | Net increase (or decrease) in contract loans and premium notes | | |
| 15. | Net cash from investments (Line 12.8 minus Lines 13.7 and 14) | | 480,028 |
| Cash from Financing and Miscellaneous Sources | | | |
| 16. | Cash provided (applied): | | |
| 16.1 | Surplus notes, capital notes | | |
| 16.2 | Capital and paid in surplus, less treasury stock | | |
| 16.3 | Borrowed funds | | |
| 16.4 | Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 | Dividends to stockholders | | |
| 16.6 | Other cash provided (applied) | (4,268,358) | 5,270,570 |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6) | (4,268,358) | 5,270,570 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS | | | |
| 18. | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (1,192,588) | (348,871) |
| 19. | Cash, cash equivalents and short-term investments: | | |
| 19.1 | Beginning of year | 8,914,539 | 9,263,410 |
| 19.2 | End of period (Line 18 plus Line 19.1) | 7,721,951 | 8,914,539 |

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

| Description | | Amount 1 | Amount 2 |
|-------------|-------|-------------|-------------|
| 20.0001 | | | |

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-----------|------------------------------------|-------|---------------------|-------------|-------------|---------------------------------------|----------------------|--------------------|-------|
| | | 2 | 3 | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Other |
| Total Members at end of: | | | | | | | | | | |
| 1. Prior Year | | | | | | | | | | |
| 2. First Quarter | | | | | | | | | | |
| 3. Second Quarter | | | | | | | | | | |
| 4. Third Quarter | | | | | | | | | | |
| 5. Current Year | | | | | | | | | | |
| 6. Current Year Member Months | | | | | | | | | | |
| Total Member Ambulatory Encounters for Period: | | | | | | | | | | |
| 7. Physician | (51) | | | | | | | | (51) | |
| 8. Non-Physician | 37 | | | | | | | | 37 | |
| 9. Total | (14) | | | | | | | | (14) | |
| 10. Hospital Patient Days Incurred | (4) | | | | | | | | (4) | |
| 11. Number of Inpatient Admissions | (1) | | | | | | | | (1) | |
| 12. Health Premiums Written (a) | (60,581) | | | | | | | | (60,581) | |
| 13. Life Premiums Direct | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | | | | | | | | | | |
| 15. Health Premiums Earned | (60,581) | | | | | | | | (60,581) | |
| 16. Property/Casualty Premiums Earned | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | (549,663) | | | | | | | | (549,663) | |
| 18. Amount Incurred for Provision of Health Care Services | | | | | | | | | | |
| Services | (549,663) | | | | | | | | (549,663) | |

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$.....0.

STATEMENT AS OF **June 30, 2007** OF THE **Volunteer State Health Plan, Inc.**

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

| Aging Analysis of Unpaid Claims | | | | | | |
|---------------------------------|--|--------------|--------------|---------------|---------------|-------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Account | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | 91 - 120 days | Over 120 Days | Total |
| NONE | | | | | | |
| 0899999 | Accrued Medical Incentive Pool And Bonus Amounts | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

| Line of Business | Claims Paid Year to Date | | Liability End of Current Quarter | | 5 Claims Incurred in Prior Years (Columns 1+3) | 6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year |
|---|---|--|---|--|---|--|
| | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid Dec.31 of Prior Year | 4 On Claims Incurred During the Year | | |
| 1. Comprehensive (hospital & medical) ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 2. Medicare Supplement ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3. Dental only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4. Vision only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 5. Federal Employees Health Benefits Plan ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6. Title XVIII - Medicare ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 7. Title XIX - Medicaid | (549,663) | ..... | ..... | ..... | (549,663) | ..... |
| 8. Other health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9. Health subtotal (Lines 1 to 8) | (549,663) | ..... | ..... | ..... | (549,663) | ..... |
| 10. Healthcare receivables (a) ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 11. Other non-health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 12. Medical incentive pools and bonus amounts ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 13. Totals | (549,663) | ..... | ..... | ..... | (549,663) | ..... |

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2007, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

Since 2004, VSHP has accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$7,601 YTD. Since 2003, activity has been settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses. As a result of the June 2006 examination, which was published May 11, 2007, premium tax liability has been reclassified from general expenses due and accrued to line 21, aggregate write-ins for other liabilities. The change applies to both current and prior year columns. These permitted practices have no impact on the Company's capital and surplus.

B. Use of Estimates in the Preparation of the Financial Statements

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and/or correction of errors.

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

7. Investment Income

No Change

Notes to Financial Statement

8. Derivative Instruments

No Change

9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company’s Assets, Liabilities, Surplus, and Other Funds are as follows:

| | <u>June 30, 2007</u> | <u>December 31, 2006</u> |
|---|----------------------|--------------------------|
| (1) Total of gross deferred tax assets (admitted and nonadmitted) | \$ 262,795 | \$ 266,732 |
| (2) Total of deferred tax liabilities | <u>0</u> | <u>0</u> |
| (3) Net deferred tax assets | 262,795 | 266,732 |
| (4) Deferred tax assets nonadmitted | <u>262,795</u> | <u>266,732</u> |
| (5) Net admitted deferred tax assets | <u>\$ 0</u> | <u>\$ 0</u> |
| (6) Increase (decrease) in nonadmitted asset | <u>\$ (3,937)</u> | <u>\$ (71,733)</u> |

B. No Change

C. The change in net deferred income taxes is comprised of the following:

| | <u>June 30, 2007</u> | <u>December 31, 2006</u> | <u>Change</u> |
|--|----------------------|--------------------------|-------------------|
| Total deferred tax assets (admitted and non-admitted) | \$ 262,795 | \$ 266,732 | \$ (3,937) |
| Total deferred tax liabilities | <u>0</u> | <u>0</u> | <u>0</u> |
| Net deferred tax assets (deferred assets less liabilities) | <u>\$ 262,795</u> | <u>\$ 266,732</u> | (3,937) |
| Tax effect of non-admitted assets | | | (21) |
| Change in net deferred income tax | | | <u>\$ (3,958)</u> |

D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

| | <u>June 30, 2007</u> | <u>Effective Tax Rate</u> |
|--------------------------------------|----------------------|---------------------------|
| Provision computed at statutory rate | \$ 250,466 | 35.0% |
| Change in net deferred income taxes | (3,958) | (.5) |
| Federal income taxes incurred | <u>\$ 246,508</u> | <u>34.5%</u> |

E. No Change

F. (1) The Company’s federal income tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.
Golden Security Insurance Company
Group Insurance Services, Inc.
Southern Diversified Business Services, Inc.
RiverTrust Solutions, Inc.
Security Care, Inc.
Riverbend Government Benefits Administrator, Inc.
Shared Health, Inc.
GDRG, LLC
Gordian Health Solutions, Inc.
Continental Health Promotion, Inc.
Eris Survey Systems, Inc.
BeneVive, Inc.

(2) The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (The Parent).

The Parent owns 100% of BeneVive, Inc. (BeneVive) and Southern Diversified Business Services, Inc. (SDBS) and also owns a 100% interest in GDRG, LLC (GDRG).

Notes to Financial Statement

In 2006, the Parent initiated a reorganization of its corporate structure to better serve BCBST Enterprise's business needs. The reorganization began when BeneVive, Inc. was incorporated on November 13, 2006 as a new for-profit holding company. The remaining corporate restructure was effective as of January 1, 2007, with the completion of the following actions:

Southern Diversified Business Services, Inc. (SDBS), a wholly-owned for-profit subsidiary of the Parent, declared a stock dividend payable to the Parent. The stock dividend consisted of all of the issued and outstanding shares of stock in Shared Health, Inc. (SH), Riverbend Government Benefits Administrator, Inc. (RGBA), Gordian Health Solutions, Inc. (GHS), Security Care, Inc. (SCI), and RiverTrust Solutions, Inc. (RTS).

The Parent contributed to BeneVive all of the issued and outstanding shares of stock in SH, RGBA, GHS, SCI and RTS in exchange for 100 shares of BeneVive stock.

The Parent made a capital contribution to SDBS, which consisted of all Volunteer State Health Plan, Inc. (VSHP) stock.

Southern Health Plan, Inc. (SHP) amended its Bylaws to reflect that the Parent will govern and oversee SHP.

In addition, the Parent assigned to RGBA all of its interests in Capstone Government Solutions, LLC (Capstone), a joint venture limited liability company with CIGNA Government Services, LLC (CIGNA). CIGNA previously consented to the assignment between the Parent and RGBA in Amendment No. 2 to Operating Agreement of Capstone dated effective as of July 12, 2006.

The activities related to this corporate restructure have previously been communicated to representatives of the Tennessee Department of Commerce and Insurance. As of June 30, 2007, no shares for RTS and RGBA have been issued. Shares will be issued in 2007 as these subsidiaries are funded, up to a maximum of 1,000 shares for each entity.

The Parent created Tennessee Health Foundation, Inc. (THF) in 2003. THF is a public benefit corporation that promotes charitable activities. The Parent appoints the board of directors of THF, which has been granted a 501(c)(3) tax exemption by the Internal Revenue Service.

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. The Parent appoints the board of directors of SHP, which has also been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

GDRG, formed in 2004, is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property.

BeneVive owns 100% of the for-profit corporations Shared Health, Inc. (SH), and Gordian Health Solutions, Inc. (GHS). SH is a health information technology company. GHS, in conjunction with its wholly owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. The Parent transferred \$7,550,000 to BeneVive in 2007.

BeneVive also owns 100% of the for-profit corporations Security Care, Inc. (SCI), RiverTrust Solutions, Inc. (RTS) and Riverbend Government Benefits Administrator, Inc. (RGBA). SCI was incorporated in 2004 as a wholly-owned subsidiary of SDBS to bid on a Request for Proposal to manage Medicare's Chronic Care Improvement Program (CCIP). RTS was established in 2003 as a wholly-owned subsidiary of SDBS, and on September 7, 2006 became a Qualified Independent Contractor (QIC) able to bid on Medicare appeals workloads. RGBA was incorporated in 2002 to perform services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services (CMS) pursuant to the Medicare Modernization Act of 2003.

Capstone Government Solutions, LLC (Capstone) was incorporated in 2004 as a joint venture between the Parent and CIGNA Government Services, LLC (CIGNA) for the purpose of bidding on and administering future Medicare fee-for-service contracts. The Parent ratified the transfer of its interest in Capstone to RGBA in 2007.

SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (GSI), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). GSI, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. The Parent participates in the TennCareSM program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCareSM members. SDBS also owns a 10% interest in USABLE Life, Inc. (USABLE).

Notes to Financial Statement

- B.

No Change.
- C.

The Company paid \$42,814,376 and \$100,042,905 in 2007 and 2006 respectively, to the Parent for services performed under the administrative services and tax sharing agreements.
- D.

The Company reported \$6,875,980 and \$6,549,638 as amounts due to the Parent in 2007 and 2006 respectively. The Company also reported \$2,826,855 and \$2,853,713 as amounts due to Shared Health, Inc., an affiliate of the Company, in 2007 and 2006 respectively. The Shared Health payables are also presented as receivables due from the State of Tennessee. These intercompany payables and receivables are typically settled monthly. However, a balance may be carried over from month to month based on the cash flow needs of the various entities.
- E.

No Change
- F.

No Change
- G.

No Change
- H.

No Change
- I.

No Change
- J.

No Change
- K.

No Change
11.

Debt

No Change
12.

Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No Change
13.

Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations.

(9)

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

a.

unrealized gains and losses:

Not Applicable

b.

nonadmitted asset values:

\$262,795

c.

separate account business

Not Applicable

d.

asset valuation

Not Applicable

e.

provision for reinsurance:

Not Applicable

14.

Contingencies

No Change

15.

Leases

No Change

16.

Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk

No Change

17.

Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C.

Wash Sales

No Change

Notes to Financial Statement

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

TennCareSM Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per Administrative Services Agreements, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCareSM Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCareSM Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCareSM Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The amounts receivable relating to uninsured plans reflected on page Q2, line 15, are as follows:

| Uninsured Receivables | Amount |
|--|--------------|
| a. Shared Health Invoices | \$ 2,826,856 |
| b. TPL Recovery Expenses | 2,754,574 |
| c. Minimum Financial Guaranty | 1,518,504* |
| d. Unbilled Expenses (timing differences) | 885,990 |
| e. Pay for Performance Bonus 1 & 2Q FY 2007 | 700,000 |
| f. Case Management Expenses | 232,830 |
| g. Transplant Safety Net | 83,311 |
| Total Amounts Receivable Relating to Uninsured Plans | \$ 9,002,065 |
| * Represents the difference between the administrative fee reimbursements for April, May and June received by VSHP and the State of Tennessee contractual guaranty of five million dollars per month, in accordance with the Umbrella Agreement. | |

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2007:

| | (1) | (2) | (3) |
|---|--------------------|--------------|--------------------|
| | ASO | Uninsured | |
| | Uninsured | Portion of | Total |
| | <u>Plans</u> | <u>Plans</u> | <u>ASO</u> |
| a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses | \$ (29,526) | 0 | \$ (29,526) |
| b. Total Net Other Income or Expenses (including interest paid to or received from plans) | (407) | 0 | (407) |
| c. Net Gain or (Loss) from operations | <u>\$ (29,932)</u> | <u>0</u> | <u>\$ (29,932)</u> |
| d. Total Claims Payment Volume | \$641,665,440 | | \$641,665,440 |

B. ASC Plans

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No Change

Notes to Financial Statement

20.

September 11 Events

No Change
21.

Other Items

No Change
22.

Events Subsequent

No Change
23.

Reinsurance

No Change
24.

Retrospectively Rated Contracts and Contracts Subject to Redetermination

No Change
25.

Change in Incurred Claims and Claim Adjustment Expenses

No Change
26.

Intercompany Pooling Arrangements

No Change
27.

Structured Settlements

No Change
28.

Health Care Receivables

No Change
29.

Participating Policies

No Change
30.

Premium Deficiency Reserve

No Change
31.

Anticipated Salvage and Subrogation

No Change

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:

.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes[] No[X]
- If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
| | | |

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?

Yes[] No[] N/A[X]
- If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

..... 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

..... 06/30/2006
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

..... 05/11/2007
- 6.4 By what department or departments?

Tennessee Department of Commerce and Insurance
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| Affiliate Name | Location (City, State) | FRB | OCC | OTS | FDIC | SEC |
| | | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] | . Yes[] No[X] |

FINANCIAL

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes[X] No[]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended?

Yes[] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).
- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$..... 0

INVESTMENT

- 11.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$..... 0
14. Amount of real estate and mortgages held in short-term investments:

\$..... 0
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 15.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

| | | 1 | 2 |
|-------|--|---|--|
| | | Prior Year-End Book/Adjusted Carrying Value | Current Quarter Book/Adjusted Carrying Value |
| 15.21 | Bonds | | |
| 15.22 | Preferred Stock | | |
| 15.23 | Common Stock | | |
| 15.24 | Short-Term Investments | | |
| 15.25 | Mortgages Loans on Real Estate | | |
| 15.26 | All Other | | |
| 15.27 | Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26) | | |
| 15.28 | Total Investment in Parent included in Lines 15.21 to 15.26 above | | |

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[X]
Yes[] No[] N/A[X]

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[]

| 1 | 2 |
|-----------------------------------|--|
| Name of Custodian(s) | Custodian Address |
| Regions Morgan Keegan Trust | 1100 Ridgeway Loop Ste 100 Memphis, TN 38120 ... |

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1 | 2 | 3 |
|---------|-------------|-------------------------|
| Name(s) | Location(s) | Complete Explanation(s) |
| | | |

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

17.4 If yes, give full and complete information relating thereto:

Yes[] No[X]

| 1 | 2 | 3 | 4 |
|---------------|---------------|-------------------|--------|
| Old Custodian | New Custodian | Date of Change | Reason |
| | | | |

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 | 2 | 3 |
|------------------------------------|-----------------------------------|--|
| Central Registration Depository | Name(s) | Address |
| 4161 | Regions Morgan Keegan Trust | 1100 Ridgeway Loop Ste 100 Memphis, TN 38120 |

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

18.2 If no, list exceptions:

Yes[X] No[]

STATEMENT AS OF **June 30, 2007** OF THE **Volunteer State Health Plan, Inc.**

SCHEDULE A - VERIFICATION

| Real Estate | | 1 | 2 |
|-------------|---|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value, December 31 of prior year | | |
| 2. | Increase (decrease) by adjustment | | |
| 3. | Cost of acquired | | |
| 4. | Cost of additions to and permanent improvements | | |
| 5. | Total profit (loss) on sales | | |
| 6. | Increase (decrease) by foreign exchange adjustment | | |
| 7. | Amount received on sales | | |
| 8. | Book/adjusted carrying value at end of current period | | |
| 9. | Total valuation allowance | | |
| 10. | Subtotal (Lines 8 plus 9) | | |
| 11. | Total nonadmitted amounts | | |
| 12. | Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) | | |

SCHEDULE B - VERIFICATION

Mortgage Loans

| | | 1 | 2 |
|-----|--|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year | | |
| 2. | Amount loaned during period: | | |
| 2.1 | Actual cost at time of acquisitions | | |
| 2.2 | Additional investment made after acquisitions | | |
| 3. | Accrual of discount and mortgage interest points and commitment fees | | |
| 4. | Increase (decrease) by adjustment | | |
| 5. | Total profit (loss) on sale | | |
| 6. | Amounts paid on account or in full during the period | | |
| 7. | Amortization of premium | | |
| 8. | Increase (decrease) by foreign exchange adjustment | | |
| 9. | Book value/recorded investment excluding accrued interest on mortgages owned at end of current period | | |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | | |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) | | |

SCHEDULE BA - VERIFICATION

Other Invested Assets

| | | 1 | 2 |
|-------------|--|--------------|---------------------------------|
| Description | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year | | |
| 2. | Cost of acquisitions during period: | | |
| 2.1 | Actual cost at time of acquisitions | | |
| 2.2 | Additional investment made after acquisitions | | |
| 3. | Accrual of discount | | |
| 4. | Increase (decrease) by adjustment | | |
| 5. | Total profit (loss) on sale | | |
| 6. | Amounts paid on account or in full during the period | | |
| 7. | Amortization of premium | | |
| 8. | Increase (decrease) by foreign exchange adjustment | | |
| 9. | Book/adjusted carrying value of long-term invested assets at end of current period | | |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | | |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) | | |

SCHEDULE D - VERIFICATION

Bonds and Stocks

| | | 1 | 2 |
|-----|---|--------------|---------------------------------|
| | | Year To Date | Prior Year Ended December 31 |
| 1. | Book/adjusted carrying value of bonds and stocks, December 31 of prior year | 28,556,862 | 29,169,440 |
| 2. | Cost of bonds and stocks acquired | 6,200,000 | 2,999,453 |
| 3. | Accrual of discount | 8,167 | 14,486 |
| 4. | Increase (decrease) by adjustment | | |
| 5. | Increase (decrease) by foreign exchange adjustment | | |
| 6. | Total profit (loss) on disposal | | 24,550 |
| 7. | Consideration for bonds and stocks disposed of | 6,200,000 | 3,479,480 |
| 8. | Amortization of premium | 79,154 | 171,587 |
| 9. | Book/adjusted carrying value, current period | 28,485,875 | 28,556,862 |
| 10. | Total valuation allowance | | |
| 11. | Subtotal (Lines 9 plus 10) | 28,485,875 | 28,556,862 |
| 12. | Total nonadmitted amounts | | |
| 13. | Statement value | 28,485,875 | 28,556,862 |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|--|---|---|---|--|---|--|--|
| | Book/Adjusted Carrying Value Beginning of Current Quarter | Acquisitions During Current Quarter | Dispositions During Current Quarter | Non-Trading Activity During Current Quarter | Book/Adjusted Carrying Value End of First Quarter | Book/Adjusted Carrying Value End of Second Quarter | Book/Adjusted Carrying Value End of Third Quarter | Book/Adjusted Carrying Value December 31 Prior Year |
| BONDS | | | | | | | | |
| 1. Class 1 | 55,709,155 | 34,814,638 | 60,774,490 | (34,172) | 55,709,155 | 29,715,131 | | 30,615,413 |
| 2. Class 2 | | | | | | | | |
| 3. Class 3 | | | | | | | | |
| 4. Class 4 | | | | | | | | |
| 5. Class 5 | | | | | | | | |
| 6. Class 6 | | | | | | | | |
| 7. Total Bonds | 55,709,155 | 34,814,638 | 60,774,490 | (34,172) | 55,709,155 | 29,715,131 | | 30,615,413 |
| PREFERRED STOCK | | | | | | | | |
| 8. Class 1 | | | | | | | | |
| 9. Class 2 | | | | | | | | |
| 10. Class 3 | | | | | | | | |
| 11. Class 4 | | | | | | | | |
| 12. Class 5 | | | | | | | | |
| 13. Class 6 | | | | | | | | |
| 14. Total Preferred Stock | | | | | | | | |
| 15. Total Bonds & Preferred Stock | 55,709,155 | 34,814,638 | 60,774,490 | (34,172) | 55,709,155 | 29,715,131 | | 30,615,413 |

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

| | 1 Book/Adjusted Carrying Value | 2 Par Value | 3 Actual Cost | 4 Interest Collected Year To Date | 5 Paid for Accrued Interest Year To Date |
|-----------------------|---|----------------|---------------------|---|---|
| 8299999. Totals | 1,229,256 | X X X | 1,229,256 | 989,544 | |

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

| | | 1 Year To Date | 2 Prior Year Ended December 31 |
|-----|--|-------------------|--------------------------------------|
| 1. | Book/adjusted carrying value, December 31 of prior year | 2,058,551 | 27,811,068 |
| 2. | Cost of short-term investments acquired | 113,127,233 | 531,120,936 |
| 3. | Increase (decrease) by adjustment | | |
| 4. | Increase (decrease) by foreign exchange adjustment | | |
| 5. | Total profit (loss) on disposal of short-term investments | | |
| 6. | Consideration received on disposal of short-term investments | 113,956,528 | 556,873,453 |
| 7. | Book/adjusted carrying value, current period | 1,229,256 | 2,058,551 |
| 8. | Total valuation allowance | | |
| 9. | Subtotals (Lines 7 plus 8) | 1,229,256 | 2,058,551 |
| 10. | Total nonadmitted amounts | | |
| 11. | Statement value (Lines 9 minus 10) | 1,229,256 | 2,058,551 |
| 12. | Income collected during period | 989,544 | 1,956,467 |
| 13. | Income earned during period | 980,619 | 1,878,764 |

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

| Replicated (Synthetic) Asset | | | | | Components of the Replicated (Synthetic) Asset | | | | | | | |
|--|----------------------|--|-----------------------------|---------------------|--|---------------------|-------------------------|----------------------|------------------------------|----------------------|---|-----|
| 1 Replication RSAT Number | 2 Description | 3 NAIC Designation or Other Description | 4 Statement Value | 5 Fair Value | Derivative Instruments Open | | Cash Instrument(s) Held | | | | | |
| | | | | | 6 Description | 7 Fair Value | 8 CUSIP | 9 Description | 10 Statement Value | 11 Fair Value | 12 NAIC Designation or Other Description | |
| | | | | | <div>NONE</div> | | | | | | | |
| 9999999 Totals | | | | | XXX | | XXX | XXX | | | | XXX |

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

| | First Quarter | | Second Quarter | | Third Quarter | | Fourth Quarter | | Year-To-Date | |
|--|---------------------|---|---------------------|---|---------------------|---|---------------------|---|---------------------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | Number of Positions | Total Replicated (Synthetic) Assets Statement Value | Number of Positions | Total Replicated (Synthetic) Assets Statement Value | Number of Positions | Total Replicated (Synthetic) Assets Statement Value | Number of Positions | Total Replicated (Synthetic) Assets Statement Value | Number of Positions | Total Replicated (Synthetic) Assets Statement Value |
| 1. Beginning Inventory | | | | | | | | | | |
| 2. Add: Opened or Acquired Transactions | | | | | | | | | | |
| 3. Add: Increases in Replicated Asset Statement Value | X X X | | | | X X X | | X X X | | X X X | |
| 4. Less: Closed or Disposed of Transactions | | | | | | | | | | |
| 5. Less: Positions Disposed of for Failing Effectiveness Criteria | | | | | | | | | | |
| 6. Less: Decreases in Replicated (Synthetic) Asset Statement Value | X X X | | | | X X X | | X X X | | X X X | |
| 7. Ending Inventory | | | | | | | | | | |

SCHEDULE S - CEDED REINSURANCE
Showing All New Reinsurance Treaties - Current Year to Date

| 1 NAIC Company Code | 2 Federal ID Number | 3 Effective Date | 4 Name of Reinsurer | 5 Location | 6 Type of Reinsurance Ceded | 7 Is Insurer Authorized? (Yes or No) |
|------------------------------|------------------------------|------------------------|------------------------|---------------|--------------------------------------|---|
| | | | NONE | | | |
| | | | | | | |

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

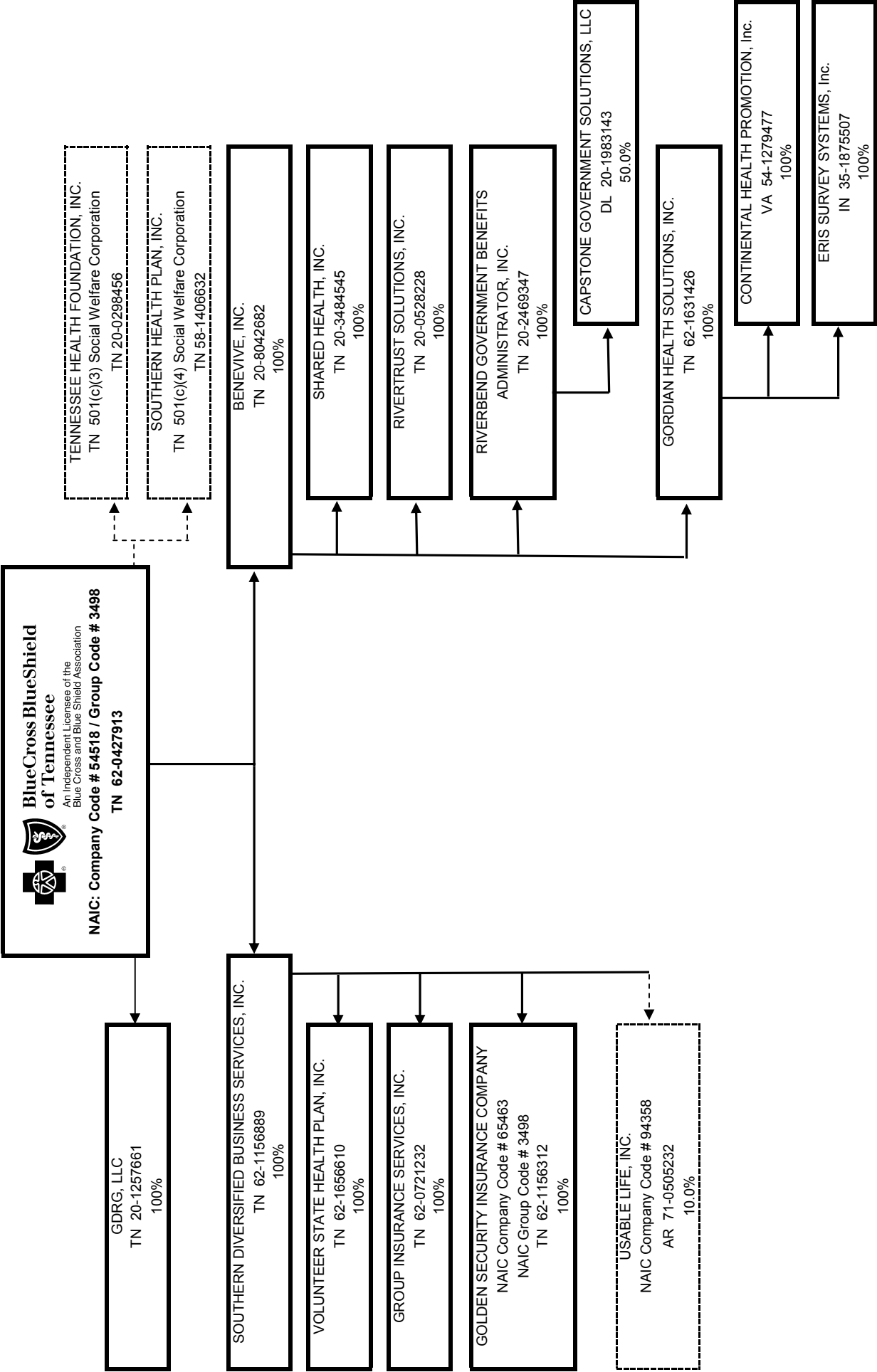
| | | 1 Is Insurer Licensed (Yes or No) | Direct Business Only | | | | | | | |
|----------------------|--|---|---|------------------------------|----------------------------|--|--|--|--------------------------------------|--------------------------------|
| | | | 2 Accident and Health Premiums | 3 Medicare Title XVIII | 4 Medicaid Title XIX | 5 Federal Employees Health Benefits Program Premiums | 6 Life and Annuity Premiums and Other Considerations | 7 Property/ Casualty Premiums | 8 Total Columns 2 Through 7 | 9 Deposit-Type Contracts |
| State, Etc. | | | | | | | | | | |
| 1. | Alabama (AL) | No | | | | | | | | |
| 2. | Alaska (AK) | No | | | | | | | | |
| 3. | Arizona (AZ) | No | | | | | | | | |
| 4. | Arkansas (AR) | No | | | | | | | | |
| 5. | California (CA) | No | | | | | | | | |
| 6. | Colorado (CO) | No | | | | | | | | |
| 7. | Connecticut (CT) | No | | | | | | | | |
| 8. | Delaware (DE) | No | | | | | | | | |
| 9. | District of Columbia (DC) | No | | | | | | | | |
| 10. | Florida (FL) | No | | | | | | | | |
| 11. | Georgia (GA) | No | | | | | | | | |
| 12. | Hawaii (HI) | No | | | | | | | | |
| 13. | Idaho (ID) | No | | | | | | | | |
| 14. | Illinois (IL) | No | | | | | | | | |
| 15. | Indiana (IN) | No | | | | | | | | |
| 16. | Iowa (IA) | No | | | | | | | | |
| 17. | Kansas (KS) | No | | | | | | | | |
| 18. | Kentucky (KY) | No | | | | | | | | |
| 19. | Louisiana (LA) | No | | | | | | | | |
| 20. | Maine (ME) | No | | | | | | | | |
| 21. | Maryland (MD) | No | | | | | | | | |
| 22. | Massachusetts (MA) | No | | | | | | | | |
| 23. | Michigan (MI) | No | | | | | | | | |
| 24. | Minnesota (MN) | No | | | | | | | | |
| 25. | Mississippi (MS) | No | | | | | | | | |
| 26. | Missouri (MO) | No | | | | | | | | |
| 27. | Montana (MT) | No | | | | | | | | |
| 28. | Nebraska (NE) | No | | | | | | | | |
| 29. | Nevada (NV) | No | | | | | | | | |
| 30. | New Hampshire (NH) | No | | | | | | | | |
| 31. | New Jersey (NJ) | No | | | | | | | | |
| 32. | New Mexico (NM) | No | | | | | | | | |
| 33. | New York (NY) | No | | | | | | | | |
| 34. | North Carolina (NC) | No | | | | | | | | |
| 35. | North Dakota (ND) | No | | | | | | | | |
| 36. | Ohio (OH) | No | | | | | | | | |
| 37. | Oklahoma (OK) | No | | | | | | | | |
| 38. | Oregon (OR) | No | | | | | | | | |
| 39. | Pennsylvania (PA) | No | | | | | | | | |
| 40. | Rhode Island (RI) | No | | | | | | | | |
| 41. | South Carolina (SC) | No | | | | | | | | |
| 42. | South Dakota (SD) | No | | | | | | | | |
| 43. | Tennessee (TN) | Yes | | | (60,581) | | | | (60,581) | |
| 44. | Texas (TX) | No | | | | | | | | |
| 45. | Utah (UT) | No | | | | | | | | |
| 46. | Vermont (VT) | No | | | | | | | | |
| 47. | Virginia (VA) | No | | | | | | | | |
| 48. | Washington (WA) | No | | | | | | | | |
| 49. | West Virginia (WV) | No | | | | | | | | |
| 50. | Wisconsin (WI) | No | | | | | | | | |
| 51. | Wyoming (WY) | No | | | | | | | | |
| 52. | American Samoa (AS) | No | | | | | | | | |
| 53. | Guam (GU) | No | | | | | | | | |
| 54. | Puerto Rico (PR) | No | | | | | | | | |
| 55. | U.S. Virgin Islands (VI) | No | | | | | | | | |
| 56. | Northern Mariana Islands (MP) | No | | | | | | | | |
| 57. | Canada (CN) | No | | | | | | | | |
| 58. | Aggregate other alien (OT) | X X X | | | | | | | | |
| 59. | Subtotal | X X X | | | (60,581) | | | | (60,581) | |
| 60. | Reporting entity contributions for Employee Benefit Plans | X X X | | | | | | | | |
| 61. | Total (Direct Business) | (a) 1 | | | (60,581) | | | | (60,581) | |
| DETAILS OF WRITE-INS | | | | | | | | | | |
| 5801. | ..... | X X X | | | | | | | | |
| 5802. | ..... | X X X | | | | | | | | |
| 5803. | ..... | X X X | | | | | | | | |
| 5898. | Summary of remaining write-ins for Line 58 from overflow page | X X X | | | | | | | | |
| 5899. | TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) | X X X | | | | | | | | |

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

| | RESPONSE |
|---|----------|
| 1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? | No |

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



00000200736500002 (NAIC code not entered) 2007 Document Code: 365

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

| | | Current Period | | | Prior Year |
|-------|--|----------------|----------------|------------|-----------------|
| | | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 2104. | Due State of Tennessee ..... | ..... | ..... | ..... | ..... 3,645,313 |
| 2197. | Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) ..... | ..... | ..... | ..... | ..... 3,645,313 |

STATEMENT OF REVENUE AND EXPENSES

| | | Current Year To Date | | Prior Year To Date |
|-------|---|----------------------|--------------------|-----------------------|
| | | 1 Uncovered | 2 Total | 3 Total |
| 0604. | Payments - Meharry | X X X | (6,500,000) | (6,080,000) |
| 0605. | Payments - Essential Provider Payments (EPP) | X X X | (50,000,000) | (100,000,000) |
| 0606. | ..... | ..... X X X ..... | ..... | ..... |
| 0607. | ..... | ..... X X X ..... | ..... | ..... |
| 0697. | Summary of remaining write-ins for Line 6 (Lines 0604 through 0696) | X X X | (56,500,000) | (106,080,000) |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1 Current Year To Date | 2 Prior Year To Date | 3 Prior Year |
|-------|--|------------------------------|----------------------------|-----------------|
| 4704. | ..... | ..... | ..... | ..... |
| 4705. | ..... | ..... | ..... | ..... |
| 4706. | ..... | ..... | ..... | ..... |
| 4707. | ..... | ..... | ..... | ..... |
| 4708. | ..... | ..... | ..... | ..... |
| 4709. | ..... | ..... | ..... | ..... |
| 4710. | ..... | ..... | ..... | ..... |
| 4711. | ..... | ..... | ..... | ..... |
| 4712. | ..... | ..... | ..... | ..... |
| 4797. | Summary of remaining write-ins for Line 47 (Lines 4704 through 4796) ..... | ..... | ..... | ..... |

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Current Quarter

| 1 Description of Property | Location | | 4 Date Acquired | 5 Name of Vendor | 6 Actual Cost | 7 Amount of Encumbrances | 8 Book/Adjusted Carrying Value Less Encumbrances | 9 Expended for Additions and Permanent Improvements |
|---------------------------------|----------|-------|--------------------|---------------------|------------------|--------------------------------|--|---|
| | 2 | 3 | | | | | | |
| | City | State | | | | | | |
| NONE | | | | | | | | |
| 9999999 Totals | | | | | | | | |

SCHEDULE A - PART 3
Showing All Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

| 1 Description of Property | Location | | | 4 Disposal Date | 5 Name of Purchaser | 6 Actual Cost | 7 Book/Adjusted Carrying Value Less Encumbrances Prior Year | 8 Increase (Decrease) by Adjustment | 9 Increase (Decrease) by Foreign Exchange Adjustment | 10 Expended for Additions, Permanent Improvements and Changes in Encumbrances | 11 Book/Adjusted Carrying Value Less Encumbrances | 12 Amounts Received | 13 Foreign Exchange Profit (Loss) on Sale | 14 Realized Profit (Loss) on Sale | 15 Total Profit (Loss) on Sale | 16 Gross Income Earned Less Interest Incurred on Encumbrances | 17 Taxes, Repairs, and Expenses Incurred |
|-------------------------------------|----------|---|--|---------------------------|----------------------------|----------------------|--|--|---|---|---|-------------------------------|---|--|---|--|--|
| | 2 | 3 | | | | | | | | | | | | | | | |
| <div>NONE</div> | | | | | | | | | | | | | | | | | |
| 9999999 Totals | | | | | | | | | | | | | | | | | |

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

| 1 Loan Number | Location | | 4 Loan Type | 5 Actual Cost | 6 Date Acquired | 7 Rate of Interest | 8 Book Value/Recorded Investment Excluding Accrued Interest | 9 Increase (Decrease) by Adjustment | 10 Increase (Decrease) by Foreign Exchange Adjustment | 11 Value of Land and Buildings | 12 Date of Last Appraisal or Valuation |
|----------------------|----------|---|--------------------|----------------------|------------------------|---------------------------|--|--|--|---------------------------------------|---|
| | 2 | 3 | | | | | | | | | |
| NONE | | | | | | | | | | | |
| 9999999 GRAND TOTAL | | | | | | XXX | XXX | | | | XXX |

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter

| 1 Loan Number | Location | | 4 Loan Type | 5 Date Acquired | 6 Book Value/ Recorded Investment Excluding Accrued Interest Prior Year | 7 Increase (Decrease) by Adjustment | 8 Increase (Decrease) by Foreign Exchange Adjustment | 9 Book Value/ Recorded Investment Excluding Accrued Interest at Disposition | 10 Consideration Received | 11 Foreign Exchange Profit (Loss) on Sale | 12 Realized Profit (Loss) on Sale | 13 Total Profit (Loss) on Sale |
|----------------------|----------|---|--------------------|------------------------|---|--|---|---|-------------------------------------|---|--|---|
| | 2 | 3 | | | | | | | | | | |
| <div>NONE</div> | | | | | | | | | | | | |
| 9999999 Totals | | | | | | | | | | | | |

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

| 1 | CUSIP Identification | 2 | Location | | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|----------------|----------------------|---|----------|---|-----------------------------------|------------------|--------------------------|-------------------|---|----|--|------------|-----------------------------------|--|--------------------------------------|-------------------------|
| | | | 3 | 4 | Name of Vendor or General Partner | NAIC Designation | Date Originally Acquired | Type and Strategy | | | Book/Adjusted Carrying Value Less Encumbrances | Fair Value | Increase (Decrease) by Adjustment | Increase (Decrease) by Foreign Exchange Adjustment | Commitment for Additional Investment | Percentage of Ownership |
| NONE | | | | | | | | | | | | | | | | |
| 4199999 Totals | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | XXX |

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

| 1 | 2 | Location | | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|----------------------|---------------------|----------|-------|---|--------------------------|--|-----------------------------------|--|--|------------------------|--|----------------------------------|-------------------------------|-------------------|
| CUSIP Identification | Name or Description | 3 | 4 | Name of Purchaser or Nature of Disposal | Date Originally Acquired | Book/Adjusted Carrying Value Less Encumbrances, Prior Year | Increase (Decrease) by Adjustment | Increase (Decrease) by Foreign Exchange Adjustment | Book/Adjusted Carrying Value Less Encumbrances on Disposal | Consideration Received | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Investment Income |
| | | City | State | | | | | | | | | | | |
| NONE | | | | | | | | | | | | | | |
| 199999 Totals | | | | | | | | | | | | | | |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

| 1 CUSIP Identification | 2 Description | 3 Foreign | 4 Date Acquired | 5 Name of Vendor | 6 Number of Shares of Stock | 7 Actual Cost | 8 Par Value | 9 Paid for Accrued Interest and Dividends | 10 NAIC Designation or Market Indicator (a) |
|---|----------------------|------------------|------------------------|----------------------------|---------------------------------------|----------------------|--------------------|---|---|
| NONE | | | | | | | | | |
| 7499999 Total - Bonds, Preferred and Common Stocks | | | | | | | | | |
| (a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues0. | | | | | | | | | |

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

| 1 Description | 2 Number of Contracts or Notional Amount | 3 Date of Maturity, Expiry, or Settlement | 4 Strike Price Rate or Index | 5 Date of Acquisition | 6 Exchange or Counterparty | 7 Cost/ Option Premium | 8 Book Value | 9 * | 10 Statement Value | 11 Fair Value | 12 Year to Date Increase/ (Decrease) by Adjustment | 13 Used to Adjust Basis of Hedged Item | 14 Other Investment/ Miscellaneous Income |
|------------------|--|---|------------------------------------|-----------------------------|----------------------------------|---------------------------------|--------------------|--------|--------------------------|------------------|--|--|---|
| NONE | | | | | | | | | | | | | |
| 9999999 Total | | | | | | | | X X X | | | | | |

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

| 1 Description | 2 Number of Contracts or Notional Amount | 3 Date of Maturity, Expiry, or Settlement | 4 Strike Price Rate or Index | 5 Date of Issuance/ Purchase | 6 Exchange or Counterparty | 7 Consideration Received | 8 Book Value | 9 * | 10 Statement Value | 11 Fair Value | 12 Year to Date Increase/ (Decrease) by Adjustment | 13 Used to Adjust Basis | 14 Other Investment/ Miscellaneous Income |
|------------------|--|---|------------------------------------|---------------------------------------|----------------------------------|--------------------------------|-----------------|--------|--------------------------|------------------|--|-------------------------------|---|
| NONE | | | | | | | | | | | | | |
| 9999999 Total | | | | | | | | X X X | | | | | |

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---------------|-----------------|---|--------------------------------------|---------------------------------------|--------------------------|----------------------------------|------------|---------|-----------------|------------|---|-------------------------------------|--|--------------------|
| Description | Notional Amount | Date of Maturity, Expiry, or Settlement | Strike Price Rate or Index Rec (Pay) | Date of Opening Position or Agreement | Exchange or Counterparty | Cost or (Consideration Received) | Book Value | * | Statement Value | Fair Value | Year to Date Increase/ (Decrease) by Adjustment | Used to Adjust Basis of Hedged Item | Other Investment/ Miscellaneous Income | Potential Exposure |
| NONE | | | | | | | | | | | | | | |
| 9999999 Total | | | | | | | | . X X X | | | | | | |

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Variation Margin Information | | | 13 | |
|---------------|---------------------|---------------|----------------|---------------|------------------|--------------------------|--------------------------|--------------|------------------------------|-------------------------------------|----------|--------------------|--|
| Description | Number of Contracts | Maturity Date | Original Value | Current Value | Variation Margin | Date of Opening Position | Exchange or Counterparty | Cash Deposit | 10 | 11 | 12 | Potential Exposure | |
| | | | | | | | | | Recognized | Used to Adjust Basis of Hedged Item | Deferred | | |
| NONE | | | | | | | | | | | | | |
| 9999999 Total | | | | | | | XXX | XXX | | | | | |

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1 | | | 2 | 3 | 4 | 5 | Book Balance at End of Each Month During Current Quarter | | | 9 |
|--|---|--|-------|---------------------|---|---|---|-----------------|----------------|----------------|
| Depository | | | Code | Rate of Interest | Amount of Interest Received During Current Quarter | Amount of Interest Accrued at Current Statement Date | 6 | 7 | 8 | * |
| | | | | | | | First Month | Second Month | Third Month | |
| open depositories | | | | | | | | | | |
| Regions Bank | 601 Market Street, Chattanooga, TN 37402 | | | | | | 6,530,500 | 7,550,288 | 282,062 | X X X |
| Regions Bank | 601 Market Street, Chattanooga, TN 37402 | | | | | | 4,394,783 | 4,398,480 | 4,435,680 | X X X |
| Regions Bank | 601 Market Street, Chattanooga, TN 37402 | | | | | | 2,916,081 | 8,911,585 | 1,296,195 | X X X |
| Regions Bank | 601 Market Street, Chattanooga, TN 37402 | | | | | | 1,145,441 | 221,000 | 223,402 | X X X |
| Regions Bank | 601 Market Street, Chattanooga, TN 37402 | | | | | | 84,430 | 96,376 | 178,474 | X X X X X X |
| 0199998 Deposits in .....1 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories | | | X X X | .. X X X .. | | | 9,400 | 12,619 | 76,882 | X X X |
| 0199999 Totals - Open Depositories | | | X X X | .. X X X .. | | | 15,080,635 | 21,190,348 | 6,492,695 | X X X |
| 0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories | | | X X X | .. X X X .. | | | | | | X X X |
| 0299999 Totals - Suspended Depositories | | | X X X | .. X X X .. | | | | | | X X X |
| 0399999 Total Cash On Deposit | | | X X X | .. X X X .. | | | 15,080,635 | 21,190,348 | 6,492,695 | X X X |
| 0499999 Cash in Company's Office | | | X X X | .. X X X .. | X X X | X X X | | | | X X X |
| 0599999 Total Cash | | | X X X | .. X X X .. | | | 15,080,635 | 21,190,348 | 6,492,695 | X X X |

SCHEDULE E - PART 2 - CASH EQUIVALENTS

| Show Investments Owned End of Current Quarter | | | | | | | |
|---|------|------------------|---------------------|------------------|---------------------------------|--|-------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Description | Code | Date Acquired | Rate of Interest | Maturity Date | Book/Adjusted Carrying Value | Amount of Interest Due & Accrued | Gross Investment Income |
| NONE | | | | | | | |
| 0199999 | | | | | | | |



MEDICARE PART D COVERAGE SUPPLEMENT
Net of Reinsurance
For the Quarter Ended June 30, 2007

NAIC Group Code: 0000

NAIC Company Code: 00000

| | | Individual Coverage | | Group Coverage | | 5 Total Cash |
|-----|--|---------------------|----------------|----------------|----------------|--------------------|
| | | 1 Insured | 2 Uninsured | 3 Insured | 4 Uninsured | |
| 1. | Premiums Collected | | X X X | | X X X | |
| 2. | Earned Premiums | | X X X | | X X X | X X X |
| 3. | Claims Paid | | X X X | | X X X | |
| 4. | Claims Incurred | | X X X | | X X X | X X X |
| 5. | Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a) | N O N E | | X X X | | |
| 6. | Aggregate Policy Reserves - change | | | | X X X | X X X |
| 7. | Expenses Paid | | | | X X X | |
| 8. | Expenses Incurred | | | | X X X | X X X |
| 9. | Underwriting Gain or Loss | | X X X | | X X X | X X X |
| 10. | Cash Flow Results | X X X | X X X | X X X | X X X | |

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$.0 due from CMS or \$.0 due to CMS

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Accounting Changes and Corrections of Errors; Q10, Note 2; Q11

Accounting Practices and Policies; Q5; Q10, Note 1

Admitted Assets; Q2

Bonds; Q2; Q6; Q11.1; Q11.2; QE04; QE05

Bonuses; Q3; Q4; Q8; Q9

Borrowed Funds; Q3; Q6

Business Combinations and Goodwill; Q10, Note 3

Capital Gains (Losses)

 Realized; Q4

 Unrealized; Q4; Q5

Capital Stock; Q2; Q10, Note 13

Capital Notes; Q6; Q10, Note 11

Caps; QE06

Cash; Q2; Q6; QE08

Cash Equivalents; Q2; Q6

Claims; Q3; Q8

Collars; QE07

Commissions; Q6

Common Stock; Q2; Q3; Q6; Q11.1; Q11.2

Cost Containment Expenses; Q4

Contingencies; Q10, Note 14

Counterparty Exposure; Q10, Note 8

Debt; Q10, Note 11

Deferred Compensation; Q10, Note 2

Derivative Instruments; Q10, Note 8; Q14; Q15; QE06; QE07

Discontinued Operations; Q10, Note 4

Electronic Data Processing Equipment; Q2

Encumbrances; Q2; QE01

Emergency Room; Q4

Expenses; Q3; Q4; Q6

Extinguishment of Liabilities; Q10, Note 17

Extraordinary Item; Q10, Note 21

Fee for Service; Q4

Foreign Exchange; Q2; Q3; Q5; Q12; QE01; QE02; QE04; QE05

Forwards; QE07

Furniture, Equipment and Supplies; Q2

Guaranty Fund; Q2; Q18

Health Care Receivables; Q2; Q9; Q10, Note 28

Hospital/Medical Benefits; Q4

Incentive Pools; Q3; Q4; Q9

Income; Q4; Q5

Income Taxes; Q2; Q3; Q4; Q5; Q10, Note 9

Incurred Claims and Claim Adjustment Expenses; Q10, Note 25

Intercompany Pooling; Q10, Note 26

Investment Income; Q10, Note 7

 Accrued; Q2

 Earned; Q2; Q14

 Received; Q6

Investments; Q10, Note 5; Q11.1; Q11.2

Joint Ventures; Q10, Note 6

Leases; Q10, Note 15

Limited Liability Company (LLC); Q10, Note 6

Limited Partnership; Q10, Note 6

Long-Term Invested Assets; QE03

Managing General Agents; Q10, Note 19

Medicare Part D Coverage; QSupp1

Member Months; Q4; Q7

Mortgage Loans; Q2; Q6; Q11.1; QE02

Non Admitted Assets; Q2; Q5; Q12

Off-Balance Sheet Risk; Q10, Note 16

Options; QE06

Organizational Chart; Q11; Q19

Out-of-Area; Q4

Outside Referrals; Q4

Parents, Subsidiaries and Affiliates; Q2; Q3; Q10, Note 10; Q11.1

Participating Policies; Q10, Note 29

Pharmaceutical Rebates; Q10, Note 28

Policyholder Dividends; Q6

Postemployment Benefits; Q10, Note 12

Postretirement Benefits; Q10, Note 12

Preferred Stock; Q2; Q3; Q6; Q11.1; Q11.2

Premium Deficiency Reserves; Q10, Note 30

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Premiums and Considerations

- Advance; Q3
- Collected; Q6
- Deferred; Q2
- Direct; Q7; Q18
- Earned; Q7
- Retrospective; Q2
- Uncollected; Q2
- Unearned; Q4; Q7
- Written; Q4; Q7

Prescription Drugs; Q4

Quasi Reorganizations; Q10, Note 13

Real Estate; Q2; QE01

Redetermination, Contracts Subject to; Q10, Note 24

Reinsurance; Q10, Note 23

- Ceded; Q3; Q17
- Funds Held; Q2
- Payable; Q3
- Premiums; Q3
- Receivable; Q2; Q4
- Unauthorized; Q3; Q5

Reserves

- Accident and Health; Q3; Q4
- Claim; Q3; Q5; Q8
- Life; Q3

Retirement Plans; Q10, Note 12

Retrospectively Rated Policies; Q10, Note 24

Risk Revenue; Q4

Salvage and Subrogation; Q10, Note 31

September 11 Events; Q10, Note 20

Servicing of Financial Assets; Q10, Note 17

Short-Term Investments; Q2; Q6; Q11.1; Q14

Stockholder Dividends; Q5

Subsequent Events; Q10, Note 22

Surplus; Q3; Q5; Q10, Note 13

Surplus Notes; Q3; Q5; Q6

Swaps; QE07

Synthetic Assets; Q15; Q16

Third Party Administrator; Q10, Note 19

Treasury Stock; Q3; Q5

Uninsured Accident and Health; Q2; Q3; Q10, Note 18

Valuation Allowance; Q12; Q14

Wash Sales; Q10, Note 17

Withholds; Q4; Q8

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|-------------|--------------|--------------|--------------|-------------|----------|
| Name of Debtor | 1 - 30 Days | 31 - 60 Days | 61 - 90 Days | Over 90 Days | Nonadmitted | Admitted |
| | | | NONE | | | |
| | | | | | | |
| 0599999 Accident and health premiums due and unpaid (Page 2, Line 13) | | | | | | |
| | | | | | | |

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

| 1 Name of Affiliate | 2 1 - 30 Days | 3 31 - 60 Days | 4 61 - 90 Days | 5 Over 90 Days | 6 Nonadmitted | Admitted | |
|---|------------------|-------------------|-------------------|-------------------|------------------|--------------|------------------|
| | | | | | | 7 Current | 8 Non-Current |
| Individually listed receivables | | | | | | | |
| | NONE | | | | | | |
| 0199999 Total - Individually listed receivables | | | | | | | |
| 0299999 Receivables not individually listed | | | | | | | |
| 0399999 Total gross amounts receivable | | | | | | | |

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

| Affiliate | 2 Description | 3 Amount | 4 | | 5 Non-Current |
|--|---|------------------------|------------------------|------------------------|------------------|
| | | | Current | | |
| BlueCross BlueShield of Tennessee Shared Health, Inc. | ITS claims, bonus accrual and miscellaneous Community Health Records | 6,875,980 2,826,855 | 1,997,180 1,412,306 | 4,878,800 1,414,549 | |
| 0199999 Total - Individually listed payables |XXX..... | 9,702,835 | 3,409,486 | 6,293,349 | |
| 0299999 Payables not individually listed |XXX..... | ..... | ..... | ..... |  |
| 0399999 Total gross payables |XXX..... | 9,702,835 | 3,409,486 | 6,293,349 | |

Volunteer State Health Plan, Inc.
Reconciliation of NAIC Filing to Medical Loss Ratio Report
June 30, 2007 Program to Date

| | <u>BlueCare East</u> | <u>Exigency</u> | <u>Pre 7/1/00</u> | <u>ASO**</u> | <u>Total per DOI</u> |
|-----------------------------|----------------------|-----------------|-------------------|--------------|----------------------|
| Revenues (2nd qtr 2007 YTD) | \$ (60,581) | | | | \$ (60,581) |
| Revenues (4th qtr 2006 YTD) | (102,928) | | | | (102,928) |
| Revenues (4th qtr 2005 YTD) | (185,017) | - | - | - | (185,017) |
| Revenues (4th qtr 2004 YTD) | 1,048,821 | - | - | - | 1,048,821 |
| Revenues (4th qtr 2003 YTD) | (3,418,182) | - | - | - | (3,418,182) |
| Revenues (4th qtr 2002 YTD) | 289,998,226 | 622,732 | - | - | 290,620,958 |
| Revenues (4th qtr 2001 YTD) | 278,089,956 | 565,843,981 | 3,756,675 | - | 847,690,612 |

*BHO-offset to incurred
claims on MLR (Dec. 2001 YTD) (1,120,534)

Additional Funds billed
State (> \$28M) (857,027)

| | |
|------------------|----------------|
| Revenues per MLR | \$ 563,392,734 |
|------------------|----------------|

| | | | | | |
|------------------------------------|-------------|-------------|-------------|-----------|---------------------|
| Incurred Claims (2nd qtr 2007 YTD) | \$ (59,369) | 7,601 | (498,301) | 406 | \$ (549,663) |
| Incurred Claims (4th qtr 2006 YTD) | (100,869) | 20,017 | (399,131) | 44,067 | (435,916) |
| Incurred Claims (4th qtr 2005 YTD) | (181,317) | 15,630 | (238,228) | 690,962 | 287,047 |
| Incurred Claims (4th qtr 2004 YTD) | 1,009,772 | 101,346 | (682,855) | 1,944,278 | 2,372,541 |
| Incurred Claims (4th qtr 2003 YTD) | (3,241,660) | (48,570) | (660,683) | - | (3,950,913) |
| Incurred Claims (4th qtr 2002 YTD) | 284,176,410 | 1,652,336 | (2,241,685) | - | 283,587,061 |
| Incurred Claims (4th qtr 2001 YTD) | 257,972,960 | 491,252,887 | (1,297,785) | - | 747,928,062 |

*BHO-offset to incurred
claims on MLR (Dec. 2001 YTD) (1,120,534)

| | |
|-------------------------|----------------|
| Incurred Claims per MLR | \$ 538,455,393 |
|-------------------------|----------------|

* Note: BHO Subcapitation is a component of revenue on December 2001 YTD NAIC filing. BHO Subcapitation is a contra claims expense on December 2002 YTD NAIC filing.

**Note: VSHP accepted the risk for ASO claims overpayments for which VSHP determined the State is not responsible.

Volunteer State Health Plan, Inc.
Reconciliation of NAIC Filing to Medical Fund Target Report (MCO 4 and 11)
June 30, 2007 Program to Date

| | <u>TennCare Select</u> | <u>Total per DOI</u> |
|-------------------------------------|-------------------------|-----------------------|
| Incurring Claims (2nd qtr 2007 YTD) | \$ 353,246,321 | \$ 353,246,321 |
| Incurring Claims (4th qtr 2006 YTD) | 962,275,844 | 962,275,844 * |
| Incurring Claims (4th qtr 2005 YTD) | 961,436,024 | 961,436,024 * |
| Incurring Claims (4th qtr 2004 YTD) | 943,646,142 | 943,646,142 * |
| Incurring Claims (4th qtr 2003 YTD) | 652,899,861 | 652,899,861 * |
| Incurring Claims (4th qtr 2002 YTD) | 526,808,623 | 526,808,623 * |
| ITS Timing | (898,172) | |
| Directives not included on MFT | (221,094) | |
| Claims prior to July 2002 | (277,815,501) | |
| Incurring Claims per MFT | \$ 4,121,378,048 | |

* Report #2A TennCare Select only

Volunteer State Health Plan, Inc.
Reconciliation of NAIC Filing to Medical Services Monitoring Report (MCO 2 and 19)
June 30, 2007 Program to Date

| | <u>BlueCare East Stabilization</u> | <u>Total per DOI</u> |
|-------------------------------------|------------------------------------|----------------------|
| Incurring Claims (2nd qtr 2007 YTD) | \$ 228,403,149 | 228,403,149 * |
| Incurring Claims (4th qtr 2006 YTD) | 410,704,993 | 410,704,993 * |
| Incurring Claims (4th qtr 2005 YTD) | 474,054,554 | 474,054,554 * |
| Incurring Claims (4th qtr 2004 YTD) | 490,386,334 | 490,386,334 * |
| Incurring Claims (4th qtr 2003 YTD) | 523,363,062 | 523,363,062 * |
| Incurring Claims (4th qtr 2002 YTD) | 306,468,208 | 306,468,208 * |
| Directives not included on MFT | (118,656) | |
| Incurring Claims per MFT | \$ 2,433,261,644 | |

* Report #2A Stabilization Plan only